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## **Insourcing Drove 17,000 DOD Hires in 2010**

By Jill R. Aitoro      Friday, February 10, 2012

The Department of Defense authorized nearly 17,000 hires during 2010 to support work previously performed by contractors, but failed to track how many individual employees were hired away from the private sector as a result of these efforts — claiming that DOD contracts for services, not people.

The 2011 National Defense Authorization Act required DOD to submit a report to Congress on insourcing decisions and the Government Accountability Office to review the findings. According to GAO, which submitted its findings to Congress in February, DOD reported on two of the three issues required by law: the component of the department involved with each of its fiscal 2010 insourcing actions and the rationale for each action.

Specifically, of the 17,000 employees hired as a result of insourcing actions in fiscal 2010, 42 percent supported the Army, 28 percent the Air Force, 16 percent the Department of the Navy (including the Marine Corps) and 14 percent other DOD agencies.

According to DOD, half of the insourcing actions were based on a determination that the function would be more cost effective if performed by DOD civilian employees. Forty-one percent of the new hires would perform functions that DOD determined to be exempt from private sector performance, such as those necessary for career advancement, continuity of infrastructure operations, risk mitigation and oversight of inherently governmental functions. About 9 percent of the new authorizations were created to perform work that was determined to be inherently governmental, and therefore legally required to be kept inhouse, DOD reported.

The one requirement from the 2011 authorization bill that DOD failed to meet was reporting on the number of contractor employees whose functions were insourced, with officials claiming that the department does not track the data.

"Specifically, the department noted that it contracts for services and does not hire individual contractor employees," GAO reported.

This argument might be hard for a lot of contractors to swallow, particularly small businesses, many of which saw employees hired away by agencies after contracts were insourced during the last couple of years. As reported in in July, for example, Jack Murphy, chief operating officer of Reston-based Dexisive Inc., lost four of his 42 employees to the government, leaving the company unable to devote adequate resources to business development.

Similarly, DOD canceled a contract with Arlington-based RGS Inc. in the fall of 2010, then proceeded to recruit its people — requiring the company to provide counteroffers in an attempt to keep them. Eventually, RGS lost about 10 percent of its staff to the government.

RGS Executive Vice President Dyson Richards said this during a November interview: “The government person said that I should be proud that they want to hire my people.”

That said, DOD officials did note a reduction in the amount of services being insourced currently; “in-sourcing continues in the department, though on a more limited basis,” GAO reported.

Nonetheless, GAO noted that “without accurate data, decision-makers in DOD and Congress may not have reliable information to help manage and oversee DOD insourcing.”